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EUR/WE FOR ALLEGRONE, CLEMENTS, AND CERVETTI
WHA/CCA FOR RIOS

E.O. 12958: DECL: 06/14/2017
TAGS: [PREL](#) [SP](#) [CU](#)
SUBJECT: SPAIN/CUBA: LIBERTAD ACT, TITLE III

REF: STATE 65523

Classified By: DCM Hugo Llorens for reason 1.4(d).

11. (C) Spain is believed to be the largest foreign investor in Cuba, though Spanish companies avoid publishing precise data out of concern that such information will be used to further U.S. enforcement actions under the Libertad Act. Cuba is the third-largest market for Spain in Latin America, after Mexico and Brazil, and Spanish exports to Cuba in 2006 were valued at 692 million euros, up from 489 million euros in 2005. Spain is also Cuba's second-largest supplier of non-petroleum goods, accounting for approximately 13 percent of Cuban imports. However, the Zapatero government has not reinstated the provision of risk insurance through the "Spanish Credit Insurance Company" (CESCE) for sales to and investments in Cuba; CESCE suspended insurance for Cuba due to delays in Cuba's repayment of \$600 million in debts. Spanish analysts believe two-way trade between Spain and Cuba would increase by \$200 million if CESCE resumed insurance coverage for business deals with Cuba.

12. (C) Although there is no indication that CESCE insurance will be resumed in the near future, both Spanish businesses and the Spanish government believe Spain has important long-term commercial interests in Cuba. This perception, combined with strong cultural and family bonds between Spain and Cuba, limits Spain's readiness to confront the Castro regime. There is also broad-based Spanish antagonism towards the Libertad Act and other Cuba sanctions. This antagonism cuts across party lines; both the ruling Socialist Party and the opposition Popular Party would likely seek retaliatory action by the EU in the event of an enforcement action against a Spanish Company under the Libertad Act.

//MEDIA COVERAGE OF EFFECTS OF U.S. CUBA SANCTIONS//

13. (C) Spanish media have covered the complications resulting from the purchase by U.S. companies of Spanish tourism ventures with significant involvement in Cuba. Spanish companies send about 250,000 travelers to Cuba on an annual basis, of whom approximately 192,000 are Spanish citizens. Affected Spanish companies include "Iberostar" (now "Orizonia"), in which the Carlyle Group purchased a 60 percent stake. Orizonia controls several travel agencies that, prior to U.S. investment, offered many travel packages to Cuban destinations. The Spanish cruise company "Pullmantur" reportedly shifted its base of Caribbean operations from Havana to Puerto La Romana in the Dominican Republic after being purchased by Royal Caribbean. Also, Boston-based TA Associates recently acquired the Spanish company "eDreams," Spain's country's largest internet-based travel agency, which will presumably make it impossible for eDreams to continue booking travel to Cuba.

//RESPONSES TO NSC TASKING//

14. (C) Responses below are keyed to questions posed in reftel, paragraph 5:

What is the nature of Spanish investments in Cuba?:

- The "Association of Spanish Companies in Cuba" (AEEC) represents over 170 Spanish businesses that trade with or invest in Cuba. Spanish companies, mostly small and medium sized businesses, account for approximately 25 percent of foreign investment in Cuba. These companies are well aware of the potential for U.S. legal action against them under the Libertad Act and are careful to obscure information related to their investments in Cuba. Spanish companies are particularly active in tobacco, hotels and tourism, foodstuffs, construction, and light manufacturing. The following information describes the major Spanish investments in Cuba:

-- Grupo Altadis: Tobacco. Unspecified location. Investment amount unknown, but believed to represent the single largest Spanish investment in Cuba. According to news reports, Cuba sold 160 million cigars in 2005 through Altadis, mostly to Spain and other EU countries, accounting for approximately \$350 million in sales.

-- Grupo Sol Melia: Hotel/Tourism. Sol Melia has 21 locations in Cuba, including in Havana, Varadero, Cayo Largo, Cayo Santa Maria, Ciego de Avila, Cayo Largo del Sur, Cayo Guillermo, Playa Esmeralda, and Santiago de Cuba. The company announced plans to open a new 925-room hotel Cayo Santa Maria in 2006. The total investment amount is unknown, but Sol Melia invested at least \$50 million in Cuba during 2004-2005. Sol Melia is the largest foreign hotel chain in Cuba, managing nearly 6,000 rooms.

-- Repsol YPF: Energy. Investments in Cuban territorial waters. According to press reports, total Repsol investment is \$25-40 million.

-- Barcelo: Hotel/Tourism. Investments in Varadero, Cayo Largo del Sur, and Cayo Coco. Investment amount unknown.

-- Inversiones Ibersuiza: Commercial investment. Investments in Cienfuegos and Santiago de Cuba. According to press reports, Inversiones Ibersuiza has invested a total of \$150 million in various Cuban projects.

-- Occidental Hotels and Resorts: Hotel/Tourism. Investments in Havana and Playa Yuraguanal. Investment amount unknown.

-- Grupo Pinero: Hotel/Tourism. Investment in Varadero. Investment of at least \$2 million according to press reports.

-- Iberostar: Hotel/Tourism. Investments in Varadero, Cayo Coco, and Trinidad. Investment amount unknown.

-- NH Hoteles: Hotel/Tourism. Investments in Havana. Investment amount unknown.

-- Grupo Riu: Hotel/Tourism. Location in Varadero. Investment amount unknown.

-- Hotetur: Hotel/Tourism. Investments in Varadero and Havana. Investment amount unknown.

-- Aguas de Barcelona: Utility. Investment in Havana in joint venture with Aguas de La Habana. Initial investment of \$2 million in 2002, subsequent investment amounts unknown. Press reports indicate that Aguas de Barcelona is considering selling its Cuba operations as part of the company's general withdrawal from small markets in Latin America.

-- Grupo Freixenet: Alcoholic Beverages. Unspecified location.

-- Iberia Airlines: Transportation. Investment in Varadero. Investment amount unknown.

In addition, Spanish energy company Iberdrola has previously undertaken projects in Cuba to refurbish power plants. Also Spanish banks Banesto and BBVA have financed construction of hotels and other investments in Cuba. We have no information regarding current operations in Cuba by these companies.

15. (C) - Are there any bilateral trade agreements between Spain and Cuba?:

There is a bilateral "Commission on Economic-Industrial Cooperation" between Spain and Cuba that is intended to promote bilateral trade and investment. The work of the Commission has been suspended for several years due to disputes over Cuba's non-payment of debt to Spanish entities and other differences.

16. (C) - Are there any exchange programs between Spain and Cuba?:

-- During the visit of Spanish FM Moratinos to Cuba in April 2007 Spain and Cuba agreed to the resumption of Spanish development aid to Cuba. This assistance had been unilaterally suspended by Cuba following Spain's criticism of the 2003 Cuban crackdown on human rights activists. Over 90 percent of Spanish development assistance to Cuba comes from regional governments, with less than 10 percent provided by the central government. Such assistance is channeled primarily through the Cuban government, and to a lesser degree through multilateral aid organizations.

17. (C) - Has Spain worked to promote the advancement of democracy and human rights in Cuba?:

-- Spain, like the U.S., supports democratic objectives in Cuba, but, unlike the U.S., believes that direct engagement with the authorities as well as with civil society will lead to more positive results in the island. Spain's view is conditioned by the experience of its own democratic transition (which took place over more than five years). It is concerned that a rapid transition to democracy may lead to instability and violence. As a result, Spain is focused on building relationships with potential successors to Castro, believing Spain will be able to steer them in a positive direction after Castro's death. This outlook limits Spain's willingness to take a tough stand against the Castro regime.

-- Within the EU, Spain is unlikely to deviate from its support for continued engagement with the Cuban government. The Embassy, in coordination with the Department, has called on Spanish officials to work with its EU partners to issue a statement promoting democratic reforms in Cuba, in light of the developing situation there. We have received mixed signals in response to this request, since some Spanish officials argue that it is more important to preserve communication with Castro's likely successors than it is to pressure them now for immediate changes.

18. (C) - Have there been any high level visits by Spanish officials to Cuba in the past six months?:

-- Spanish FM Miguel Angel Moratinos visited Cuba April 1-3 for meetings with Cuban Vice President Raul Castro, FM Felipe Perez Roque, and other members of the Cuban leadership. The visit triggered criticism by Cuban human rights activists and by opposition political parties in Spain, and intensified the internal divide in the EU over Cuba policy.

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